

Walmart offloads Bonobos as it shifts away from D2C ecommerce

Article

The news: Walmart sold direct-to-consumer (D2C) menswear brand **Bonobos** to retailer **Express** and brand management company **WHP Global** for \$75 million, per a press release.

- That's considerably less than the \$310 million it paid (in cash) to acquire the brand in 2017.

- The sale marks Walmart's latest retreat from D2C ecommerce, after divesting outdoor retailer **Moosejaw to Dick's Sporting Goods** in late February.

Walmart recalibrates: Bonobos was part of a wave of D2C acquisitions Walmart made to grow its ecommerce business and push back against **Amazon** dominance. But the company struggled to integrate those brands into the rest of its assortment, creating dissonance with shoppers and limiting their growth potential.

- While those big bets largely failed to pay off, Walmart is seeing more success with its third-party marketplace, which has enabled it to grow its assortment considerably to over 400 million SKUs and generate significant revenues from seller fees and advertising.

Express looks for growth: The acquisition makes perfect sense from Express' perspective as the company looks to avoid delisting from the New York Stock Exchange and revitalize slumping sales.

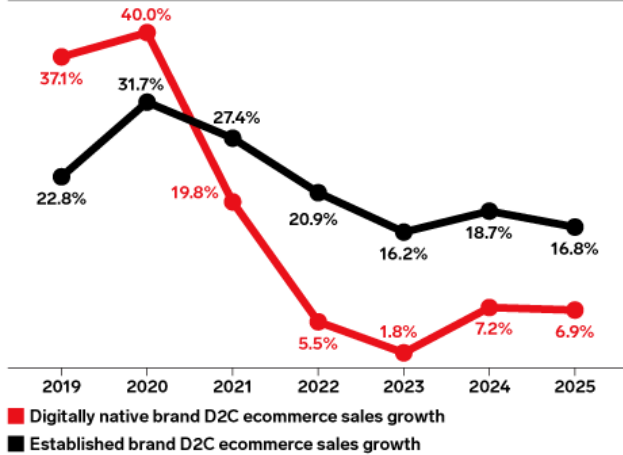
- Bonobos generated roughly \$200 million in revenues last year, with margins around 60 percent, per Business of Fashion. The brand's sales are expected to continue growing by double digits, and give Express a needed income and cash flow boost.

The bigger picture: Walmart's shift away from D2C reflects the challenges digitally native D2C brands are facing as funding opportunities dry up and acquisition costs rise.

- We expect **US ecommerce sales from digitally native D2C brands** to grow just 1.8% this year, with growth remaining in the single digits until 2027.
- But **D2C ecommerce sales** from established brands will grow much faster at 16.2%, increasing the pressure on digitally native brands to expand into wholesale and physical retail.

US D2C Ecommerce Sales Growth for Digitally Native Brands vs. Established Brands, 2019-2025

% change



Note: includes products sold online by established consumer brand manufacturers that sell directly to consumers via their owned and operated sites or apps, bypassing standard distribution methods through a retailer, wholesaler, or third-party platform such as a marketplace; excludes travel and event tickets; excludes food services and drinking place sales; digitally native includes products sold online by digitally native vertical brands founded since 2010; includes only brands that started as independent online retailers; established brands includes brands that did not start as online retailers and those that traditionally sold their products to wholesalers or retailers

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